Subject: Federal Opportunity Zones Program (Est. time: 0 minutes)

Receive and File
Approved by: James Corless
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Attachments: Yes

1. Issue:
What are Opportunity Zones and what opportunities do they present for furthering economic prosperity in the communities in the SACOG region?

2. Recommendation:
None, this is receive and file.

3. Background/Analysis:
The Opportunity Zones Program is a new community development program established by Congress to encourage long-term investments in low-income urban and rural communities nationwide. The program was originally introduced in the Investing in Opportunity Act in February 2017, by Senators Tim Scott (R-S.C.) and Cory Booker (D-N.J.) and Congressmen Pat Tiberi (R-Ohio) and Ron Kind (D-Wis.). It was then reintroduced and enacted as part of the 2017 tax reform package, the Tax Cuts and Jobs Act of 2017. The Opportunity Zones Program provides a tax incentive to U.S. investors to reinvest unrealized capital gains into Opportunity Funds, which invest into Opportunity Zones. An unrealized capital gain is a profit that exists on paper, resulting from an investment (e.g., stock). An Opportunity Fund investment provides an investor temporary tax deferral and other benefits tied to long-term holdings.

A Qualified Opportunity Fund is any investment vehicle that is organized as a corporation or partnership for the purpose of investing in qualified opportunity zone property, and must hold at least 90 percent of its assets in qualified opportunity zone property. In order to be responsive to the needs of different communities, Opportunity Funds are allowed to invest in a wide variety of investments, including but not limited to operating businesses, affordable housing, infrastructure, energy, community development, equipment, and real property.

The federal tax bill allows each governor to designate a certain number and type of census tracts as Opportunity Zones and authorizes the U.S. Department of Treasury final approval of these designations. The program uses low-income community census tracts as the basis for determining areas eligible for an Opportunity Zones designation. In April 2018, the
U.S. Department of Treasury certified California’s nominated eligible census tracts: 879 census tracts in the state of California, of which 63 are within the SACOG region. These designations will remain in place for 10 years (until December 31, 2028).

Now that Opportunity Zones have been designated, the Internal Revenue Service is working on guidance for Opportunity Fund certification and finalizing the law that dictates ongoing administration of the Opportunity Zones Program.

4. Discussion/Analysis:
We bring this new program to the board's attention because it poses an opportunity for the communities of the Sacramento Region. The implementation of the Opportunity Zones Program comes at the same time that the agency is focused on advancing economic prosperity in the region. In particular, the program dovetails with two of the agency’s 2018 strategic goals: Goal 1, Advance Economic Prosperity; and Goal 2, Connect Low-Income and Disadvantaged Populations to Jobs & Opportunity. Once the Opportunity Zones Program is fully established, communities could potentially use the program in conjunction with SACOG’s programs to further economic development efforts in their communities. For example, potential leveraging opportunities could come out of the Economic Prosperity study, RUCS 2.0 effort, Civic Lab, and the Regional Funding Programs.

Opportunity Zones also present a potential new source of leverage for other state and federal investment in communities. As an example, Attachments A and B show the locations of the designated Opportunity Zones in relation to: (1) SACOG’s Low-Income/High Minority geographies, which are developed to fulfill federal and state transportation plan requirements, and (2) the disadvantaged communities designated by the California Environmental Protection Agency for the purposes of directing a portion of state cap-and-trade proceeds. These geographies overlap in many places with the Opportunity Zone geographies.

We know that a number of SACOG’s member agencies and partners are aware of this program, including the Greater Sacramento Economic Council (GSEC). SACOG staff will track the implementation of the program and coordinate with partners such as GSEC to identify leverage opportunities.

5. Fiscal Impact/Grant Information:
This item has no direct fiscal impact.

ATTACHMENTS:
Description
Attachment A - Opportunity Zones and LIHM
Attachment B - Opportunity Zones and CalEnviroScreen 3.0

This staff report aligns with the following SACOG Work Plan Goals:
#1 - Advance Economic Prosperity
#2 - Benchmark Ourselves Against Peer Regions
#3 - Assist Local Economic Development Strategies
Yolo County

Placer County

Yuba County

Sutter County

El Dorado County

Sacramento County

Designated Qualified Opportunity Zones (OZ) are Census Tracts where 20%+ of population are below federal poverty and/or have a median family income of less than 80% of the Statewide income, that were then recommended by Governor Brown and approved by the U.S. Dept. of the Treasury.

Source: California Department of Finance

Low Income/High Minority (LIHM-2016) are Block Groups where 45%+ of population earns 200% or less of federal poverty, and/or where 70%+ of the population is non-White/non-Hispanic and/or have been identified as having 4 or 5 of 5 vulnerability measures.

Source: Sacramento Area Council of Governments (SACOG)
Designated Qualified Opportunity Zones (OZ) are Census Tracts where 20%+ of population are below federal poverty and/or have a median family income of less than 80% of the Statewide income, that were then recommended by Governor Brown and approved by the U.S. Dept. of the Treasury.

Source: California Department of Finance

CalEnviroScreen 3.0 (Top 25% Tracts) is a mapping tool that helps identify California communities that are most affected by many sources of pollution, and where people are often especially vulnerable to pollution's effects.

Source: Office of Environmental Health Hazard Assessment (OEHHA)